



**Action Plan and Budget Analysis
Prepared for Ms. Alysse Saucedo
Prepared by Advantage Credit Counseling Service
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Introduction

Advantage Credit Counseling Service is a non-profit agency which has been providing expert counseling since 1968. Each year, we help thousands of clients from all income levels and all walks of life overwhelmed by financial troubles get back to the basics and back in control of their finances.

Based on the information you provided in the online counseling module, this document contains:

- A detailed budget analysis of your income and expenses.
- A customized action plan with helpful suggestions and resources.
- A review of options or alternatives regarding your debt.

This document also introduces several core financial concepts. An understanding of these concepts is needed in order for you to develop a sound financial plan. These include:

- Being familiar with the difference between gross and net earnings.
- Examining your spending habits in terms of fixed, variable and periodic expenses.
- Distinguishing between financial needs and wants.
- A better understanding of prioritizing expenses in order to set financial goals.
- Recognizing the importance of good credit.

If you have any questions pertaining to this budget or action plan, please do not hesitate to contact us. We can be reached at 866-699-2227 Monday through Thursday 8 a.m. to 8 p.m. EST., Friday 8 a.m. to 5 p.m. EST. We can also be reached through our website at <http://www.advantageccs.org> and will respond during business hours.

* All external phone numbers and websites contained in this document are for informational purposes only and are not endorsed by Advantage Credit Counseling Service, Inc. Phone numbers and websites are periodically verified.

Terms

Asset	Something with a monetary value attached to it (house, car)
Eviction	The legal process a landlord initiates to remove you from your property due to non-payment of rent
Escrow	Monies held by a third party on behalf of the two parties for payments due for taxes, insurance, etc.
Fixed Expense	Expenses which are the same each month (rent, mortgage payment, car payment)
Foreclosure	A legal process initiated by the lender to take back the property if payments are not made as outlined in your mortgage agreement
Gross Income	The amount of money you earn before taxes and deductions are taken out
Liability	A debt or financial obligation
Periodic Expense	Expenses which do not occur on a regular basis (quarterly taxes, insurance, clothing, car repairs)
Repossession	When a lender takes back an object used as collateral if a loan or lease is not paid as agreed
Secured Debts	A debt which has an asset attached to it (house, car)
Short Sale	An option for selling your home if the balance of your mortgage is greater than the market value of the property
Take Home Pay	The amount of money you earn after taxes and other deductions (union dues, health insurance, etc.) are taken out
Unsecured Debts	A debt which does not have collateral (an asset) attached to it (credit card, collection accounts, medical bills)
Variable expense	Expenses which occur on a regular basis but vary from week to week or month to month (food, utilities, entertainment)

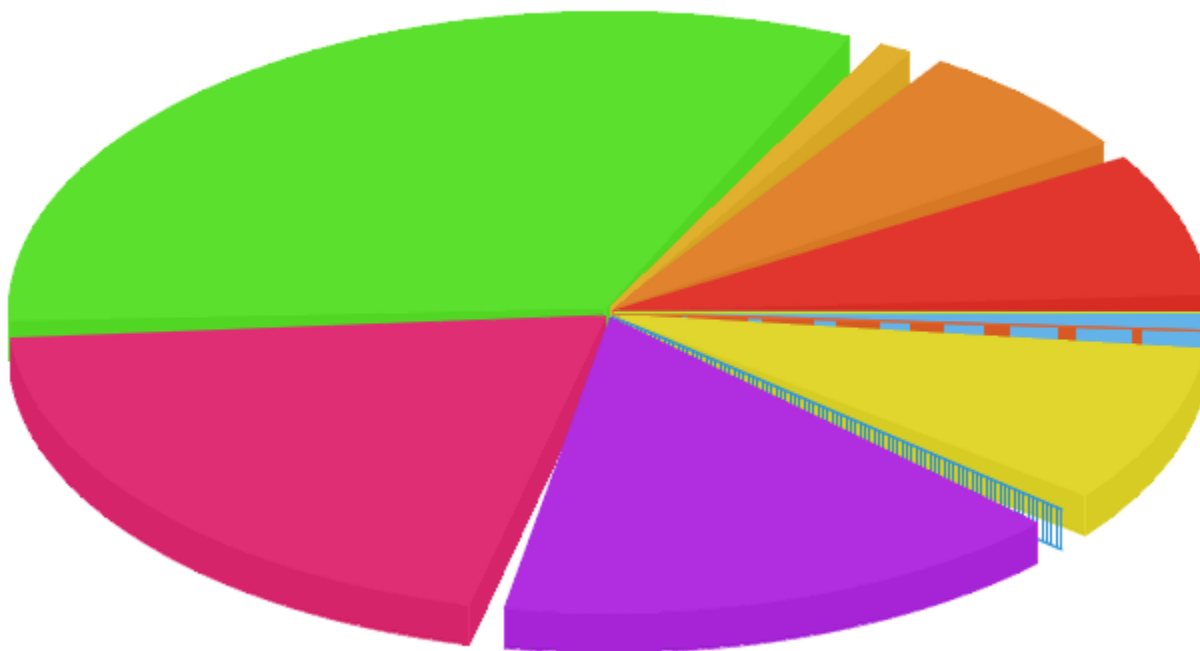
Income & Expense Analysis

Income			
Primary Income	\$0.00	Other Income	\$3,154.70
Co-Applicant Income	\$0.00	Total Income	\$3,154.70
Expenses			
Housing		Insurance	
Mortgage	\$0.00	Life	\$0.00
Rent	\$0.00	Disability	\$0.00
2nd Mortgage	\$0.00	Health	\$0.00
Home Equity Loan(s)	\$0.00	Other	\$0.00
Home Owner/Renter Ins.	\$0.00		
Real-Estate Taxes	\$0.00		
Repair/Maintenance	\$0.00		
Other Housing	\$0.00		
Total Housing	\$0.00	Total Insurance	\$0.00
Utilities		Medical	
Electric	\$250.00	Doctor Visits	\$0.00
Gas/Oil	\$0.00	Eye Care	\$0.00
Water/Sewage	\$0.00	Dentists	\$0.00
Trash	\$0.00	Medication	\$0.00
Phone	\$0.00		
Cable	\$0.00		
Total Utilities	\$250.00	Total Medical	\$0.00
Food and Clothing		Other Necessity Exp	
Groceries	\$450.00	Child Care/Sitter	\$580.00
Eating Out	\$0.00	Child Support	\$0.00
Lunches/Beverages	\$0.00	Alimony/Spousal Support	\$0.00
Clothing/Shoes	\$0.00	Local Wage Tax	\$0.00

Dry Cleaning/Laundry \$0.00		Tuition \$0.00	
		Other \$0.00	
Total Food and Clothing	\$450.00	Total Other Necessity	\$580.00
Transportation		Savings	
Car Payment 1	\$460.00	Monthly Savings Deposit	\$25.00
Car Payment 2	\$0.00	Monthly 401k Contribution	\$0.00
Car Payment 3	\$0.00	Monthly 401k Loan	\$0.00
Gasoline	\$300.00	Total Savings	\$25.00
Car Insurance	\$170.00		
Parking/Tolls	\$0.00		
Car Repair/Maintenance	\$0.00		
Public Transportation	\$0.00		
Total Transportation	\$930.00		

Expenses (continued)			
Miscellaneous Expenses		Unsecured Creditors	
Vacation	\$0.00	Total Payments	\$224.00
Entertainment	\$0.00		
Internet	\$90.00		
Barber/Beauty Shop	\$0.00	Other Creditors	
Cigarettes/Tobacco	\$0.00	Boat/Watercraft	\$0.00
Cosmetics/Nails/Tanning	\$0.00	Motorcycle/ATV	\$0.00
Gym/Club Membership	\$0.00	RV/Camper	\$0.00
Pets	\$0.00	Rental Property	\$0.00
School/Office Supplies	\$0.00	Other	\$0.00
Toiletries	\$50.00	Student Loan	\$0.00
Security System	\$0.00	Credit Union Loan	\$0.00
Subscriptions	\$40.00	Bank Loan	\$0.00
Donations/Tithe	\$0.00	Personal Loan	\$0.00
Gambling	\$0.00	IRS/Other Taxes	\$0.00
Gifts	\$0.00		
Other	\$0.00		
Total Miscellaneous	\$180.00	Total Other Creditors	\$0.00
Total Income	\$3,154.70		
Total Expenses	\$2,639.00		
Overage/Shortfall	\$515.70		

Breakout of Expenses



Assets and Liabilities			
Assets (Value of)		Liabilities (Balance on)	
Home	\$0.00	Mortgage(s)	\$0.00
Auto	\$5,000.00	Auto	\$14,000.00
401k	\$0.00	401k	\$0.00
Boat/Watercraft	\$0.00	Boat/Watercraft	\$0.00
Motorcycle/ATV	\$0.00	Motorcycle/ATV	\$0.00
RV/Camper	\$0.00	RV/Camper	\$0.00
Rental Property	\$0.00	Rental Property	\$0.00
Other	\$0.00	Other	\$0.00
Savings Acct Balance	\$0.00	Student Loan	\$0.00
Checking Acct Balance	\$230.00	Credit Union Loan	\$0.00
		Bank Loan	\$0.00
		Personal Loan	\$0.00
		IRS / Other Taxes	\$0.00
		All Unsecured Creditors	\$6,300.00
Total Assets	\$5,230.00	Total Liabilities	\$20,300.00
Net Worth	(\$15,070.00)		

Unsecured Creditors				
Creditor Name	Cur. Balance	Cur. Mthly Payment	Rate %	Mths Behind
Members1st	\$5,800.00	\$174.00	0.29	90 Days +
Capital One	\$500.00	\$50.00	0.21	60 Days
Totals	\$6,300.00	\$224.00		

Income

Household Income

The key to being successful at managing your money is how you handle the money you make. Knowing how much money is coming in and the amount of expenses going out is the essential first step in money management.

When your expenses are greater than your income, there is a shortfall in your budget. Seek ways to increase your income to make up the shortfall. Try to work overtime or work additional hours at your current job. The overtime money can be used to pay an additional amount on your current bills or put in a savings account for unexpected expenses. Contact your human resource department to check the number of deductions on your W-4. The IRS has a [W-4 deduction worksheet](#) to determine the best number of deductions for your situation. The more deductions on your W-4, the more money you will receive in your paycheck.

Another option is to consider looking for a different job with a higher rate of pay. Familiarize yourself with all available resources while searching for employment including [Career OneStop](#).

Earned Income Tax Credit (EITC)

Based on the income provided, you would qualify for the EITC. The EITC is a special federal income tax credit for certain low to moderate income workers. Individuals with or without children may qualify based on their annual gross income. The EITC may reduce taxes and can also mean a refund. In the 2010 tax year, an individual with two qualifying children will receive a maximum credit of \$5,036. For more information or to see if you qualify click [here](#).

Housing

As a general guideline, your monthly rent payment, including renter's insurance, should not exceed 30% of your gross monthly household income. To determine if your rent payment is generally considered in an affordable range, multiply your household annual gross income by 0.30 and divide this number by 12 (months).

Based on the information provided, your current rent payment appears to be above what is considered acceptable for your income and may place you at a higher risk of becoming past due. Unless you increase your income or make cuts in other expenses, your rent payment could become a drain on your budget.

An important goal is to make your rent payment on time, as falling behind could force your landlord to start an eviction process. If you fall behind, talk to your landlord immediately and see if an arrangement or extension can be agreed upon.

If appropriate, consider a roommate to share housing costs.

To learn about possible rental assistance programs, visit the U.S. Department of Housing and Urban Development's [website](#). You may also contact local organizations and charities for assistance such as the United Way, the Salvation Army or Catholic Charities.

Emergency Rental Assistance Program

If you're a renter having trouble paying your rent or a landlord who has lost rental income due to the COVID-19 pandemic, help may be available. Through funding from the U.S. Department of the Treasury's Emergency Rental Assistance (ERA) program, there are state and local programs that offer assistance—including financial assistance—to those who are struggling to pay their rent or mortgage. [Click the link](#) to learn more about the ERA program.

Housing Expenses

Based on the information you provided, your housing status is defined as "OTHER". Examples of this housing type are; someone living at home but not responsible for the mortgage or rent payment, a college student living in a dorm, an elderly person living with family members, or an individual whose spouse or significant other is responsible for the mortgage or rent.

If you are considering purchases a home or renting in the future, we suggest you begin putting money in a savings account in order to start developing the discipline needed to be a successful home owner or renter. For more information on renting or home ownership, visit [HUD's website](#).

Utilities

Utility costs can change dramatically from month to month depending upon the time of year, weather conditions or the amount of usage. Many utility companies offer "Budget Plans" to help offset these fluctuations. This type of plan calculates an average cost based on several months of past usage thereby allowing you to pay the same amount each month.

This can be an effective way to budget for your monthly utility bills. We recommend contacting your local utility companies to inquire about their "Budget Plan" offerings.

Some utility expenses are not paid monthly but are paid quarterly or on an as needed basis, such as sewage, trash or oil for heating. In order to budget for these periodic expenses, determine the average cost and divide this average by the number of months the bill covers. For instance, if the average cost of a quarterly sewage bill is \$75, you will need to save \$25 each month.

Using utilities efficiently will help you save money over time. Below are some useful website links to learn more about energy conservation tips and how to reduce your utility costs:

www.bankrate.com

www.ehow.com

www.energystar.gov

Based on the information you have provided, your utility payments are current. Did you know that paying your utility bills on time may have a positive impact on your credit report? This is because many utility companies report the monthly payment status to the credit bureaus. Falling behind on your monthly payments may cause the utility company to charge interest or possibly terminate your service. A security deposit may be required to have this service turned back on.

Utility Assistance

Based on the annual gross income you have provided, you may be eligible for financial assistance with your utilities. We recommend that you contact the utility companies and inquire about any customer assistance programs, internal programs or funding that may be available in your area.

LIHEAP (Low Income Heating and Energy Assistance Program) is a federal grant available to assist customers with their heat and electric expenses. LIHEAP begins in the fall and continues until the funding is exhausted. Contact your gas or electric company to learn more about assistance through [LIHEAP](#).

You may also qualify for the **Weatherization Assistance Program (WAP)** to assist with your utility bills. This program is designed to make homes more energy efficient. Contact your gas or electric company about any weatherization assistance programs they may have. Also, look online for your state's Department of Community Economic Development to see if any programs are offered in your state.

Food & Clothing

Food

Although food and grocery items are a necessity there are ways to control and possibly reduce the amount you spend. Developing a smart shopping attitude can really add up to a lot of savings!

The first step to shopping smart is to set up a grocery budget. This cannot be accomplished until you actually know how much you are currently spending. We recommend recording all of your grocery purchases for the next month. Check out the **USDA** website if you are curious to see how your monthly grocery expenses compares to the national average.

Now that you know how much you are currently spending, we challenge you to see if you can reduce this expense. Following are some tips and resources to help you:

- Don't go to the grocery store without a list! Resist impulse buying.
- If you have a Smartphone, check for free apps to help you organize your grocery list.
- Take inventory of what you already have before you go to the store. You can use a website called **Super Cook** to find recipes for ingredients you already have on hand. This will help you use food that might have been thrown away and you'll save money in the end.
- Avoid shopping daily. A quick run for milk or bread usually results in some extra items magically ending up in your bag.
- Coupons, coupons and more coupons. Visit www.coupons.com for savings on many national brand grocery items.
- If you haven't already, sign up for you store's "shopper discount card". Many stores offering this perk not only discount in-store items, but also provide savings on gas and retail gift cards.
- Consider joining a food "warehouse" club, such as Sam's Club or Costco.
- Commit to making at least one "economy" meal per week. Check out www.cheapcooking.com and Food Network Channel's website for some cost conscious recipes.

As you already know, eating at home or packing your lunch is much less expensive than eating out. Also, consider how many calories you will save! Don't forget, this category also includes things like the morning coffee run, trips to the convenience store, the work or school vending machine and ordering that Friday night pizza.

Simple changes really add up. For example, you can save \$228 a year by just buying soda at the grocery store instead of going to the vending machine each day.

Food Assistance

Based on your income, you may qualify for food assistance. The **US government** has a website to determine if you are food stamp (SNAP benefits) eligible. **WIC** (Women, Infants, and Children) provides food vouchers to eligible families and is administered by each state. Feeding America is a hunger relief charity which puts families in touch with their local food banks. **Feeding America** will give you further information and the location of a food bank near you. **The National School Lunch Program** helps families by providing children with a nutritious school lunch. Contact your child's school for an application.

Clothing

Clothing is a periodic expense which we sometimes forget to save for. These tips may help save you money when shopping for clothes

- "Back to school" shopping - Decide how much you intend to spend and start saving each month. For instance, if you think you are going to spend \$500 on back to school shopping, put \$42 a month aside for a year to cover the cost.
- Take advantage of end of season sales. You may find clothes and shoes for a fraction of the price.
- Build your wardrobe around classic styles and not the latest trends. These items can be mixed and matched and will not go out of style.
- Visit consignment or thrift stores. A **consignment store** is also a great place to take the clothes and accessories you no longer wear and make some money when they are sold. If you have children, **Once Upon a Child** is a great place to buy and sell children's clothes.
- Garage sales also offer bargains on clothing.
- Consider online shopping to see if you can find discounts. These sites could help get you started. www.zappos.com, www.overstock.com, and www.6pm.com
- Stay away from "dry clean only" items. Make sure you consider the cost of dry cleaning an item of clothing before purchasing it.
- To save money on your utility bills, wait to run the washing machine until you have a full load of clothes. Hang clothes outside to dry to save energy.

Transportation

Transportation & Expenses

Whether you are leasing your car, paying a car loan or own your car, automotive costs can be a strain on your monthly budget. The price of gasoline, car maintenance and car insurance can add up.

If you are looking to buy a car, carefully consider your options to lease or buy. [Bankrate.com](https://www.bankrate.com) has information on which option may work best for you. You may also want to think about buying a used car. In this case, you will want to do some research on [Kelly Blue Book](https://www.kbb.com), [Autotrader](https://www.autotrader.com) or [Carfax](https://www.carfax.com).

Car Loan

When you have a car loan, make sure you always pay on it as agreed or there could be severe consequences. If you are struggling to make your monthly car payment, contact your lender immediately and try to work out a temporary payment agreement. Options may include skipping a month and paying only a processing fee or making an interest only payment. Keep in mind, these are only short-fix solutions and will extend the term of your loan.

Two more options may be to refinance the car loan for a less expensive payment or trade the car in for a less expensive car.

A car loan is a secured debt and failure to make the payment as agreed may force the lender to repossess the vehicle. The Federal Trade Commission (FTC) has [information regarding repossession](#), what may happen if a car is repossessed, and what you may be still responsible to pay.

Transportation Related Expenses

With the price of gas increasing, it is difficult to budget for the amount of money needed in the future. Consider some of these tips to help you save on transportation expenses.

- Try to limit driving and combine errands to a geographical area close to your house.
- Gas prices fluctuate. Research gas prices in your area using resources such as [GasBuddy](#).
- Consider public transportation or carpooling. To save money, look into a weekly or monthly bus pass.
- If you only drive periodically, a service like [Zip Car](#) may be a great option for you.

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- If you use toll roads when traveling, inquire if your state has some type of a fast pass that can be used on toll roads. In some states buying a pass can save you money.
 - Car insurance is a federal requirement. Check with your insurance company about any discounts that you may qualify for. Having all of your policies (home, auto, etc.) through one insurance agency may qualify for a multi-policy discount.
 - You may want to review your policy to see if there are any changes you can make to reduce your costs.
 - It's a good idea to compare different insurance companies to ensure you are getting the best deal.
 - Visit the **Insurance Information Institute** for more information about insurance.
 - Include a specific dollar amount in your budget for car repairs and maintenance. Keep an eye on maintenance costs throughout the year for things such as inspections, brakes, tires and other expenses you think you may incur. Total your anticipated expenses and divide that number by 12 for an estimate of how much to put aside each month.
 - Research repair costs before getting work done on your car. Check out **RepairPal** to get a range of average repair costs for your type of vehicle.

Insurance & Medical

Insurance coverage usually raises many questions. Some important questions to ask yourself: Which coverage should I choose? What are the different types of insurance? How much coverage do I need? For answers to these questions or for more information, visit the [Insurance Information Institute](#).

To determine the proper amount of insurance coverage, estimate how much money would be needed to cover your dependents in the event of your death minus what Social Security will pay. The amount you will receive from Social Security is found on your yearly statement. For additional information and to view your yearly statement online, visit the [Social Security website](#) or contact your local Social Security office.

One of the biggest questions about life insurance is the choice between whole and term life insurance. The cost of life insurance may be based on a person's age, medical history, and other pertinent factors used to determine risk. Whole life insurance is paid out at the time of the insured's death, regardless of age and the beneficiary receives the payment. It offers a death benefit along with a savings account. The savings element grows based on dividends the company pays to you. Term life insurance pays the beneficiary only if the insured's death is during the term of the policy (5, 10, 15 years, etc.).

Normally, whole life insurance is more costly than term life insurance. For example, a \$250,000 life insurance policy, depending on your risk factors, you could pay as much as \$250 a month for a whole life policy versus \$30 a month for a 20-year term life policy. The most popular type of term life insurance is 20-year term. Most companies will not sell term insurance to an applicant for a term that ends past his or her 80th birthday.

Disability insurance covers a portion of your wages if an injury or illness leaves you unable to work. Benefits are paid for a specified time based on the policy. Some employers offer disability insurance for their employees. The normal cost for disability insurance is usually 1% to 3% of your annual salary.

The cost of health insurance varies depending on the policy and the insurance provider. If you don't have health insurance through your employer, check with your state's website to see what programs may be available to you. [Children's Health Insurance Program](#) (CHIP) is a national program administered by each state. CHIP ensures every child up to the age of 19 will be covered by health insurance and no family is turned down because of being over income. Depending on your household income, you may qualify for free, low cost or full cost coverage.

Doctor visits, eye care, dental visits and medications are periodic expenses. The best way to plan for these costs is to estimate the average number of doctor visit co-pays, prescriptions, and any other medical related items that your family may need throughout the year to calculate the total amount of

out of pocket expenses. Then, take that total amount and divide it by 12 to get the amount you should put aside each month to cover these periodic expenditures.

Look into alternatives to help with these out of pocket costs. Check with your local **United Way** or **Free Medical/Dental Camps** to see if there is a low-cost health or dental clinic in your area. Comparison shop for items such eye glasses and contact lenses. Some pharmacies offer generic prescriptions for a flat fee of a few dollars. If you are prescribed medication, ask your doctor for free samples. Many physicians receive samples from pharmaceutical representatives to pass on to their patients.

Family Wize provides a free prescription drug discount card. There are no forms to fill out, waiting period or registration. The card is really just like a reusable coupon. Anyone in your family can use it. You can even use it if you have health insurance, both during deductible periods and for anything your insurance does not pay for. You ALWAYS get the lowest price. Your cost will be the discount price with the FamilyWize card or the pharmacy's usual and customary retail price, whichever is lower. You are responsible for the entire payment of the prescription medicine purchased after any discounts are applied. The FamilyWize card cannot lower the co-pay for medicine covered by insurance.

NeedyMeds provides a drug discount card that can get users up to 80% off their prescription medications. It can be used by those without insurance and by those opting not to use their insurance (i.e. if drug is not covered, co-pay/deductible is high, cap reached, or in "donut-hole"). Card is FREE and there are NO INCOME REQUIREMENTS. It can even be used for pet medications and over the counter medications that are written on a prescription pad. This card cannot be used with insurance or federal or state programs.

Prescription Assistance

Based on the information you provided, you may also qualify for prescription assistance. The **Partnership for Prescription Assistance** is a free service and offers prescription assistance to qualified individuals without prescription drug coverage.

Rx Outreach is a fully-licensed mail order pharmacy committed to making the use of prescription drugs safer and more affordable. This program offers prescription medications to the uninsured and those with limited prescription coverage. You can use Rx Outreach regardless of your age or if you use another discount medicine program or patient assistance program. To use Rx Outreach, your income needs to be less than a certain amount of money each year. This amount differs depending on the number of financially dependent people living in your house.

Other Expenses

Other Expenses

If you are struggling to pay your bills, consider doing without an expense, if it is not a necessity, until you are able to increase your cash flow. While some of the following expenses are a necessity, many are discretionary purchases.

If you're not sure where your money is going, track your purchases for 30 days. Write down everything you spend money on from the candy bar in the vending machine to that new pair of shoes you just had to have. You will be shocked at how much money is being spent on the little things. Consider your "wants" versus your "needs" and reevaluate where to spend your money.

Local Wage Tax

Many municipalities or cities impose a wage tax which is a periodic expense. Your employer may deduct this tax directly from your paycheck. If not, it will be your responsibility to pay this tax on your own. If you are behind, it is important to contact your tax office to attempt a payment arrangement in order to avoid high interest, penalties or possible wage attachment.

Child Care

If your child is in daycare, check the center's policy to see if you will be charged a late fee if you arrive after your child's scheduled pick-up time. Be sure to make monthly tuition payments on time to avoid getting hit with late fees. Some centers may offer a discount in exchange for any type of service or assistance you can provide. They may need help after hours to clean, organize or assist with other projects. Inquire to see if this option is available.

Summer child care for school age children can be very costly. The best way to plan for this expense is to estimate the total cost for child care. Then, take that total amount and divide it by 12 to get the amount you should put aside each month to cover this annual payment.

There are two tax benefits you can choose from to help with child care costs, the Child Care Tax Credit or a Flexible Spending Account (FSAs). The Child Care Tax Credit is based on your household income level. Lower income families are eligible for a higher tax credit. For more information, visit the [Internal Revenue Service](#) website. Flexible Spending Accounts (FSAs) are set up through your employer. In an FSA, you contribute money each pay into an account which is used for qualified child care expenses. This contribution is exempt from state and federal income taxes. Check with your employer to see if an FSA is available. If you are having trouble deciding which option is best, consult with an accountant or financial advisor.

Childcare Assistance

Based on the income and household size you provided, you may qualify for child care assistance. [Click here](#) to learn more about your state's child care assistance programs.

State child care assistance programs are funded through the Child Care and Development Fund (CCDF). CCDF is a Federal program that assists low-income families, families receiving Temporary Assistance for Needy Families (TANF), and those transitioning from TANF in getting child care so they can work or attend training/education. Each State has its own eligibility guidelines. You may apply for child care assistance (sometimes called a "subsidy" or "voucher") at a State or local agency. You may receive assistance if you show that the following is true:

- You need child care to work, attend school, or receive training;
- Your income is not greater than the income limit set by your State;
- Your child is younger than 13 years; and/or
- Your child has a special need or is under court supervision and is younger than 19 years.

Internet

The average cost of internet service is about \$45 a month. If you are paying for internet service, consider bundling your internet, cable and telephone for a better price. Contact your provider to see what type of incentives they offer. Most companies will have a special introductory rate for 12 months. If you only use the internet occasionally, you may want to consider getting rid of it completely. Most libraries offer free internet service you can use. If you own a Smart phone or tablet, you can find free Wi-Fi access using those devices, if you are considering dropping your internet bill altogether. Look in your area for places that offer free Wi-Fi.

Toiletries

Toiletries include shampoo, shaving cream, deodorant, makeup, toothpaste, etc. Always try to use coupons when purchasing these items. Check the weekly sales' circulars for the best prices. Consider trying a different brand if you have a coupon or the other brand is on sale. Also, look to discount stores, drug stores or dollar stores. The grocery store can be more expensive than a drug store. Some drug stores have shopper advantage cards or rebates to use with your coupons for even more savings. Stock up on extra items if they are on sale.

If you (or your significant other) enjoy getting manicures and pedicures, track how much you're spending a month. You may be shocked when you realize how much these pamper sessions cost you a year. This is an item that can be cut out of your budget to free up money for higher priority

expenses.

Now is a good time to track how much you spend at the hair salon each month. Hair products are significantly more expensive at the salon. Consider purchasing these items at the grocery store or discount stores. If you get your hair colored at the salon, consider less expensive alternatives such as doing it yourself or having a friend do it. Hair color can be purchased at beauty supply stores, grocery stores or discount stores.

Subscriptions

Buying magazines at the grocery store or drug store each month is pricey. Instead of buying the magazine every month, you can save money with a yearly subscription. Normally the more years you purchase ahead of time, the more money you can save. Visit your local library and read the magazines for free.

Newspapers can be expensive to buy every day. A subscription to your favorite paper will save more money than buying one each day. Many newspapers also have free online versions. If you have an e-reader or smart phone, subscriptions on these devices may be less than the printed version.

Savings & Retirement

Savings

It is very important to have some type of savings and/or emergency fund. A good rule of thumb is to have enough savings to cover three to six month's worth of expenses in case of a financial crisis. If you're not sure where to start, financial experts recommend that 5-10% of your monthly net income should go towards some type of savings. This includes a 401K, IRA, money market, or an old-fashioned savings account.

While it can be difficult to save money, a solution to this problem is to have money directly deposited into a savings account or retirement fund from your paycheck to remove the temptation to use the money for other things.

If it's difficult for you to come up with money to put into savings, try to start small. Go through your budget and see if you can find \$5 that you can trim from one of your expenses. Setting aside just \$5 a week will add up to \$260 over the course of a year. The goal is to increase the weekly amount as you go through the year so you have even more money set aside. Setting financial goals can keep you motivated to help you save more money. Come up with some short term goals and a long term goal. Divide the amount you want to save by the number of months to determine how much to put away in order to meet your goals. A quick and easy way to increase your savings is to collect spare change in a water jug or other large container. Then, you can take the change to your local bank and deposit it in your savings account.

Low and moderate income consumers may consider an **IDA** (Individual Development Account). In an IDA, your savings dollars are matched up to a certain amount of money for an asset building purpose such as post secondary education, job training, a home purchase, etc.

Saving for college can be quite challenging for families today. It is never too soon to start saving for college expenses. Financial experts recommend parents start some type of college savings program when children are still very young. There are college savings plans that can help take the burden off of parents by the time their kids are ready for college. One type of **education savings program** is a 529 Plan. This plan is operated by states or educational institutions and it is designed to help families set aside funds for future college costs.

Retirement

It is important to save for retirement so that you have financial security in your senior years. The earlier you start a retirement plan, the more money you'll accumulate over the years. If you are putting money in an employer funded retirement account, it is best to have this amount payroll deducted. If your employer matches your contribution, it makes sense to contribute up to the match point amount if possible. For a better understanding of different types of retirement accounts or terms related to

retirement accounts, refer to **Bankrate's online glossary**. Consult a financial planner or advisor to help you determine which options are best for you.

Avoid taking money from your retirement savings unless you have no other options if a catastrophic event should occur. You may face steep penalties and be charged interest for removing the money too soon. Consult a financial planner or accountant before withdrawing or moving any money early.

Frequently changing jobs may also affect your retirement. Most companies require you to work 5 years to have your retirement funds vested (the waiting period for an employee to become eligible for 100% of the contributions the employer made). Be mindful of the amount you may lose in your retirement account if you change jobs.

Understanding Credit 101

The Basics of Credit

Credit is an integral part of most consumers' everyday lives. It is important to have a good understanding of the basics or it can become a budget buster!

There are two types of credit, secured and unsecured. Secured credit, typical with very expensive purchases, requires collateral (something of value) to secure the loan, such as a house or car. If a borrower falls behind on the loan payments, the lender is usually entitled to reclaim the collateral. Unsecured credit, typical with credit and retail cards, or vacation loans, does not require collateral; just the borrower's promise to repay the loan. Falling severely behind on unsecured loan payments can carry a stiff price as well. Dependent upon state law, creditors may take legal action and in certain states, even attach a portion of a borrower's wages!

Credit may be closed-end or revolving. In a closed-end loan, the borrower receives a set amount of money, which is repaid over a specified period, such as a car loan. With revolving credit, the lender sets a limit and the borrower may use the credit until he or she reaches the pre-set limit, such as a credit card.

Whether you are applying for a car loan or a credit card, be sure to read the fine print. Become familiar with the terms associated with different types of loans. Does the loan have a fixed or adjustable interest rate, are there annual fees, are there penalties for paying the loan off early, when are late fees added and how much are they, are there any other conditions of the loan?

Before applying for a loan, use the calculators available at **DinkyTown** and **Bankrate** in order to estimate the monthly payment. Plug the result into your monthly budget. Does your budget still balance? The required monthly payment on a credit card is generally two or three percent of the outstanding balance. If you owe \$10,000, your payment would be between \$200 and \$300. As your balance decreases, so does your minimum payment. Keep in mind, if you pay only the minimum due, you may still be paying for the steak dinner you charged last week . . . thirty years from now!

Interest is the amount creditors charge for borrowing their money. The annual percentage rate (APR) reflects the cost of the interest and other fees associated with a credit offer. How do you know if your interest rate is competitive? **Bankrate** and other websites list average rates on various loan products. Remember that the best rates are generally offered on secured loans and to borrowers with excellent credit scores. Visit the **Federal Trade Commission's** website to learn more about consumer credit.

Credit Reports and Scores

Three major credit bureaus in the US, Equifax, Experian, and Trans Union, regularly collect information about consumers' outstanding credit and payment habits. A credit report is a file that

contains information regarding an individual's credit history. Credit reporting agencies receive information from credit grantors, courthouses, and consumers themselves.

Information in a credit report includes demographics (personal information), public records (bankruptcies, liens and judgments), trade lines (creditors), inquiries (companies that have looked at a consumers credit report), and consumer statements (consumers may include a statement of 100 words or less disputing an item in it). Generally, negative information remains for seven years. Consumers are entitled to one free report a year from each of the credit bureaus. Get in the habit of pulling your credit report annually. Visit [Annual Credit Report.com](https://www.annualcreditreport.com) to learn more.

Understanding a credit score and the factors that increase or decrease it is an important part of managing your credit. Fair Isaac Corporation, the largest issuer of credit scores, known as FICO scores, uses a range between 300 and 850. Your credit score is a snap shot of your current creditworthiness. Factors that may lower a credit score include high balances on credit cards, late payments, the amount that is past due on accounts, and derogatory public information such as bankruptcies, foreclosures, and auto repossessions. [Score Info](#) and [My FICO](#) are great sites to learn more about credit scoring.

Overloaded with Debt - What Can I do?

Whether you are tired of seeing your credit card balances "go nowhere" or struggling to meet the minimum payments each month, there are strategies for tackling your debt.

1. First, you must begin to live on a cash basis. Make a commitment not to charge anything unless you have the cash to pay for those new charges. If you are able to, pay more than the minimum due each month. If you have more than one credit account, put any extra money on the highest interest account. As you pay an account off, allocate that payment to any remaining accounts.
2. If you already have money set aside for an emergency, consider using any other non-retirement savings to liquidate your debt. Interest on your savings account is likely one percent, while a credit card can be 15% or higher.
3. Consider an unsecured consolidation loan if you can find an interest rate that is less than your credit card rates. Generally, your debt must be equal to or less than three months of your gross income to qualify.
4. If you are experiencing a temporary financial setback due to unemployment or an event beyond your control, contact your creditors and ask for a hardship program. Many creditors offer qualified customers a temporary reduction on interest rates and monthly payments.
5. Consider the Agency's Debt Management Program. This program is especially for those consumers who have unsecured debt such as credit cards and who are struggling to pay anything

more than the minimum contractual payment, have exorbitant interest rates, or are even past due and receiving collection related calls. Creditors participating in this program generally agree to stop collection activity, reduce interest, and waive fees. Many creditors also agree to a reduced monthly payment.

6. Consider "Do it yourself" debt settlement. If you are severely past due with your creditors and have available cash of 40% to 60% of the outstanding balance on one or more of your accounts, you may be able to negotiate a settlement. Get any agreements in writing. Be wary of organizations advertising debt relief services. Learn more from the **Federal Trade Commission**.

7. If you need help with your student loan debt there are several options available to you. You can contact your loan service provider and ask them about repayment options like a forbearance or deferment. Advantage Credit Counseling Service can also assist you with your student loan counseling needs. We can help you work through the maze of student loan repayment options so you can select the one that best meets your short-term and long-term goals.

8. As a last resort, bankruptcy is an option if your financial situation prevents you from paying your creditors into the foreseeable future. There are two common types of consumer bankruptcies - Chapter 7 and Chapter 13. In Chapter 7 bankruptcy, the court examines a debtor's assets to determine if anything is available to be sold to pay creditors. Eligible debts are forgiven once the bankruptcy is discharged by the court. In a Chapter 13 bankruptcy, the court sets up a three to five year repayment plan. Filing bankruptcy may have long term negative implications. Seek legal advice before considering bankruptcy.

Assets & Liabilities

Other Assets & Liabilities

Assets are all items with a monetary value such as a house or a car. Liabilities are debts you agreed to repay such as a mortgage or car payment. Both your assets and liabilities need to be factored into analyzing your net worth (wealth). Net worth is your assets minus your liabilities and this is a measure of your financial stability. For example: if your house is valued at \$75,000 and you owe \$50,000 on your mortgage, your net worth is \$25,000. Your net worth will be calculated and presented at the end of this action plan based on the information you provided in the online counseling module.

Summary

Now that you have reviewed your customized Action Plan, it's time to put these suggestions and tips into action. This will take time, but with a little effort, you will be rewarded with the knowledge to better manage your budget and meet your financial goals.

NEXT STEPS

Track your Expenses

As you probably noticed while creating your budget, it can be difficult to pinpoint how much you spend monthly on certain items. For this reason, it is important to track your expenses over a period of time. We recommend doing this for at least one month. Most people are amazed at how much money they spend on items that are not reflected in their budget.

Set up a Cash Flow Calendar

To help you succeed with your budgeting goals, create a cash flow calendar each month. This visual record shows you when bills are due and which paychecks will be earmarked for various expenses.

- List all expenses according to their due dates.
- Mark the dates of your regular paychecks (or any other sources of income for that month).
- Determine which expenses you need to pay on each payday, such as a car payment or rent.

Don't forget to account for any periodic expenses! Setting up a computer spreadsheet or using index cards as "Planner Cards" can help with the bookkeeping for periodic bills. You should also consider setting up a separate bank account or using an envelope system to save for these expenses.

Reaching your Financial Goals

Goals are dreams or wishes that could come true - if you work at them. If your goals are specific enough, they will motivate you to balance your spending and savings in order to reach your objectives. If you don't set financial goals you will find yourself saying "I wish I had."

Feel free to contact Advantage Credit Counseling Service, Inc. with any additional questions.

Email: info@advantageccs.org Toll-free: 866-699-2227

